



CITY MANAGER'S 6-POINT PLAN OF ACTION

Point 6: Recommended Reductions to City Services and Levels of Service

EXECUTIVE SUMMARY

This is the third in a series of planned special reports that are being prepared on the budget strategies described in the City Manager's 6-Point Plan of Action to the City's budget crisis. This report addresses the recommended reductions to City services and levels of service.

The City's budget crisis was triggered by higher than projected costs for employee base wages and retirement programs, combined with uncertainty about future state provided revenues. These factors opened an estimated \$11-\$17 million gap between expenses and revenues in the General Fund. Current year revenues are not stabilizing as expected. Rather, key revenues are continuing to decline. The General Fund gap is now projected to be \$14-\$15 million annually for the next 20 years. This does not include any projected reductions in state-provided funding.

Savings generated by the budget strategies could total \$13.4 million. This includes \$8,455,059 million in savings and increased revenues created through the recommended reductions to City services and levels of service as outlined in this report. It is important to state that the City Council will need to consider, revise as needed, and ultimately adopt any reductions to services and levels of services. Those decisions represent the policy direction and guidance that only the City Council can make.

This recommendation includes three key components. They are:

Proposed reductions to service levels in 39 programs included in the General Fund. For each program, changes to program outcome measures, budgeted funding, work hours, full-time equivalent positions, and products are identified.

Proposed increases to fees or charges, or the establishment of new fees or charges. Specific fees and charges proposed for programs managed by the Community Development, Finance, Library, and Public Works Departments are presented.

Proposed reductions to programs in other City funds. The reductions are recommended to make these funds as cost efficient as possible, and to provide opportunities for some employees affected by service reductions to be transferred to vacancies in utility, enterprise, or other funds.

There are hard "costs" that will result if the recommended reduction is adopted. Services will be reduced to our residents, businesses, and visitors. For some services, fees will have to be increased or imposed for the first time. A total of 64.9 full time and 14.9 part time positions (144,446 work hours) will be eliminated from the workforce during the next three fiscal years. The number of employee layoffs could be as high as 24 (not including Public Safety) if all the positions recommended to be eliminated were to occur immediately. However, the phasing of the reductions during the next three fiscal years is expected to dramatically reduce the actual number of employee layoffs. Rather, these position reductions will be able to be accomplished through employee

attrition. Final Council policy direction and an implementation schedule will be required before more exact numbers can be determined.

As difficult as these recommended reductions are to make, the budget crisis requires that we take steps to reduce the size of City government in Sunnyvale. The General Fund gap represents a structural imbalance between available revenues and projected expenses. Making one-time spending reductions such as one or two year wage concessions can not solve this structural imbalance. As we continue to work to resolve this unprecedented problem, we will make every effort to reduce the negative effects the final service reductions will have on the community and the workforce. The \$8.4 million in savings represents a critical part in addressing the budget crisis. It is equally important that our future workforce is as skilled and committed to public service as it has been in the past in order to deliver tomorrow's City services.

BACKGROUND

I. 6-Point Action Plan

The City Manager introduced a 6-Point Action Plan to City Council in late January 2003 to address a rapidly escalating financial and budget crisis facing the City. The plan identified three principal causes for the budget crisis:

- **Personnel costs:** Base wage expenses for City employees are increasing at higher rates than projected in the City's budget. This fiscal year, base wage increases for all employee groups is about \$3.0 million more than budgeted. The City Council approved an approach to pay for these increased wage costs on a continuing basis for employees represented by the Sunnyvale Employees Association (SEA), management, and confidential employees. Increased wage costs for employees represented by the Public Safety Officers' Association (PSOA), the Communication Officers' Association (COA), and the Service Employees International Union (SEIU) were only covered for FY 2002/2003. Additional funding will be required to cover these increases on a continuing basis. Equally important, personnel costs are expected to exceed budgeted amounts in FY 2003/2004, and the foreseeable future. In January, staff estimated wage increases for SEA employees for FY 2003/2004 would be 7.06% and an average of 6% for PSOA employees in FY 2003/2004. These projections have changed slightly and are described in more detail later in the report. These are about 3.5% more than we have included in the long range financial plan for SEA and 3% more for PSOA. If base wages for benchmark positions continue to grow, the \$11 million gap will increase.
- **Retirement costs:** Late last year, the California Public Employees Retirement System (PERS) announced significant increases in formulas used to determine the City's costs for employee retirement programs because of continuing asset losses. All regular full time and part time employees are included in retirement programs managed by PERS, as required by City Charter. Beginning in FY 2004/2005, funding included in the budget for miscellaneous employees' retirement costs is

projected to be 3.5% less than the revised PERS contribution rates. For public safety employees, the funding shortfall in FY 2004/2005 is 13.0%. The gap between budgeted retirement expenses and projected contribution rates is about \$9.7 million annually over the 20-year planning period. Continued market losses in PERS' asset portfolio combined with higher base wage rates for Sunnyvale employees have resulted in these revised PERS contribution rates.

- Revenue reductions: The on-going national recession resulted in steep declines in City revenues, especially Sales Tax and Transient Occupancy Tax (TOT) revenues. Although staff programmed these declines into the City's long-term financial plan, the reduced revenues from many of the City's most important revenue sources "thinned out" our ability to absorb future revenue losses or increased costs. It now appears that key revenue sources are continuing to decline this fiscal year, rather than stabilizing. The proposed actions announced by Governor Gray Davis in December 2002 turned a budget problem into a crisis, when he suggested that the state-provided "backfill" of Motor Vehicle License Fees (VLF) revenues be eliminated. This action was proposed to begin taking effect in the current fiscal year. In addition, state revenues for public libraries were to be reduced by \$50,000, reimbursements for state-mandated programs by \$100,000, and redevelopment area property tax increment revenues up to \$1.5 million annually.

These three factors created an estimated \$11-\$17 million gap between revenues and expenses in the City's General Fund. This represents an on-going structural budget imbalance, as opposed to a one-time problem that could be more easily addressed. This new fiscal reality required that the City develop a comprehensive budget strategy that reduces the size of City government in Sunnyvale. Fortunately, our planning and financial systems have created two vital tools in responding to the budget crisis: time and money. These tools will allow City services to be reduced, levels of service to be reset, and the City's workforce to be reshaped in a phased, measured manner during the next three years.

II. Update on the City's Financial Condition

A. City Revenues

Six key sources generate nearly 90% of the City's General Fund revenues. They are: Sales Tax, Property Tax, Transient Occupancy Tax, Motor Vehicle License Fees, Utility Users Tax, and construction-related taxes and fees. The current budget projected that revenues from many of these sources would stop falling this fiscal year. We believed that revenue patterns that the City experienced in FY 1998/1999 represented our actual revenue base; revenues were projected to stabilize this fiscal year, and slowly increase to actual revenue base levels by FY 2007/2008.

Now, even this revenue picture appears too optimistic. Currently, construction-related taxes and fees are 20% lower than projected; TOT revenues are 20% lower than anticipated. Sales tax revenues are trending 12% lower. These three revenue sources

show serious decreases, due to the lack of a sustained economic recovery and the war in Iraq.

The following table reports actual revenues received as of Period 9 for Sales Taxes, TOT, and construction taxes and fees. Period 9 represents 66.85% of the fiscal year.

General Fund Revenue Source	FY 2002/2003 Adopted Budget	FY 2002/2003 YTD Actuals Period 9	Percentage	FY 2002/2003 Year-End Projected
Sales and Use Tax	\$26,000,000	\$15,961,553	61.39	\$22,900,000
TOT	\$ 6,904,275	\$ 3,149,463	45.62	\$5,300,000
Permits and Licenses	\$ 3,482,346	\$ 2,064,807	59.29	\$2,978,967
Construction Tax	\$ 1,136,337	\$ 430,279	37.87	\$ 909,070
Plan Check Fees	\$ 722,551	\$ 417,081	57.72	\$ 578,041

Staff has completed revenue projections for the 20-year long-term financial plan. The negative trends, expected economic conditions, and our forecasting models indicate that future revenues from Sales Tax, TOT, and construction-related fees will be considerably lower than estimated last year. This will increase the structural gap between revenues and expenses in the General Fund.

Better news is emerging on Vehicle License Fee (VLF) backfill revenues. The State Legislature rejected the Governor's proposal to eliminate VLF revenues to cities and counties. It now appears likely that VLF funding will be continued at current levels by raising Vehicle License Fees to the 1998 rate schedule through an administrative action. This "triggering mechanism" could occur as early as May 2003; it would not require any legislative action. However, other types of state funding provided to cities and counties remain at risk as the State continues to struggle with a \$34+ billion deficit. Republicans in the legislature issued a plan that calls for local governments to provide \$500 million in unallocated funding reductions to help ease the deficit. Staff is closely watching this proposal, and others as they emerge, to gauge their effects on State provided revenues to our City. Any implementation of a "local government contribution" to the State budget crisis could result in additional service reductions in Sunnyvale.

B. City Expenses

Current expenditure patterns demonstrate a more encouraging picture than revenues. Overall operating costs for the General Fund are slightly under forecast as of Accounting Period 9 (March 1, 2003). The following table reports actual expenses as of Period 9.

Departmental Operating Expenses	FY 2002/2003 Current Budget	FY 2002/2003 YTD Actuals Period 9	Percentage	FY 2002/2003 Year-End Projected
All Departments	\$90,668,234	\$58,947,897	65.01	\$88,421,845

The year-end projection represents a savings to the General Fund of about \$1.6 million. These savings are generated, in large part, by the selective hiring freeze that the City instituted in January 2003.

However, future base wage costs continue to pose serious problems to City expenditure patterns on a long-term basis. The 6-Point Plan anticipated that wage increases would exceed budget projections for FY 2003/2004. Annual base wage adjustments for the City's represented employees are driven by wage increases granted by other cities within our labor market. These cities are scheduled through existing labor contracts to give base wage increases according to existing contractual agreements next fiscal year. Employee associations or unions within these cities have not agreed to concessions that would result in either reduced increases to base wages or reduced base wages. Base wage formulas are incorporated into the memorandums of understanding or contracts that the City has with its employee associations. These contracts can only be changed through negotiation i.e. mutual agreement.

The Human Resources Department is projecting future base wage increases for FY 2003/2004 as follows:

- 6.5% for SEA and confidential employees;
- 6.0% for PSOA employees;
- 13.67% for SEIU employees.

In addition, a 3.0% wage increase for management employees is included in the long-term financial plan for FY 2003/2004. These percentage increases are higher than projected last year.

For future fiscal years, the long-term financial plan contains inflation factors for base wages of 3.0% through FY 2012/2013, and 4.0% thereafter for SEA, confidential, SEIU, and management employees. Staff reviewed contracts in other cities, and concluded that higher projections are needed for PSOA employees. A 5.0% increase has been included through FY 2005/2006 (the end of the current contract), and 4.0% for the balance of the long-term financial plan. These projections are higher than included in the last year, and add to the General Fund gap. To the extent that any future wage increase assumptions are too low, it will also increase the structural gap.

C. General Fund Subsidy to the Community Recreation Fund

Three programs managed by the Parks and Recreation Department are included in the Community Recreation Fund. These programs provide a wide variety of parks and recreation services, including golf, tennis, swimming, senior services, arts, community theater, and various classes to individuals of all ages and income levels. Fees and charges are established for many services offered through these programs. Fee schedules are set up and reviewed regularly to insure that our fees reflect market rates charged by other local governments and private sector firms. Although the fund and these programs have been established to recover costs through their fee structures, additional resources have been required to balance the fund. Some of the services provided through this fund are offered to targeted populations such as youth and seniors at less than full cost recovery. A fee waiver system protects the economically disadvantaged. This requires an annual subsidy from the General Fund. In FY 2002/2003, a \$2,373,093 subsidy from the General Fund to the Community Recreation Fund was made through an inter-fund transfer. Higher subsidies are projected in future fiscal years, beginning with FY 2003/2004. Three familiar factors are creating this situation. Personnel costs are higher because of the conversion of contract agency employees to regular City employee status. Also, higher PERS rates are projected than budgeted for these employees. Finally, revenues for golf course fees and golf related services are expected to drop next year, given the continuing local economic downturn.

There are several options available to Council in order to address this issue. For example, the annual subsidy can be increased to offset the increased personnel costs and decreased revenues. Or, service levels can be cut to reduce overall fund costs, eliminating the need for an increase in the subsidy from the General Fund. Staff is developing additional information on these options, which will be presented on May 2nd. Council will have the opportunity to provide preliminary policy direction on this issue at that time.

The 6-Point Plan projected that the gap between revenues and expenses in the General Fund would be \$11-\$17 million annually for the next 20 years. This examination covered only future personnel related expenses. This projection was built on three assumptions:

1. Revenues would stabilize this fiscal year, and gradually return to normal levels by FY 2007/2008;
2. PERS retirement contribution rates would not exceed their revised estimates; and
3. Future base wage rates would not exceed budgeted amounts.

It now appears that the gap will increase because the long-term revenue projections are less than expected, and base wage increases will likely be higher than budgeted. In addition, the need for an increased subsidy to the Community Recreation Fund will add an estimated \$720,000 to the General Fund gap. As a result, the structural gap

between revenues and expenses in the General Fund has grown to \$14-\$15 million annually for the next 20 years.

It's important to state that this estimated \$14-\$15 million gap includes only contribution rates to the City's retirement programs that were provided by PERS for FY 2003/2004 and FY 2004/2005. The 6-Point Plan stated that future PERS contribution rates may be even higher if the PERS investment portfolio generates less than an 8¼% return on its assets this year and in the future. At this point, it appears unlikely that PERS will achieve its targeted performance this fiscal year. As of February 2003, it seems more likely that PERS will suffer a third straight year of negative asset growth. This will trigger higher contribution rates than the City anticipated and has budgeted, beginning in FY 2005/2006.

III. Budget Strategies: Actions to Date

The 6-Point Plan identified six specific budget strategies that staff would examine in order to find ways to either reduce expenses or increase revenues to close the gap between revenues and expenses in the General Fund. The City Manager and City staff have presented key findings from the examinations of three budget strategies.

- 10-Year Capital Projects Plan. The City Manager presented recommended revisions to the 10-Year Capital Projects Plan to City Council at two separate meetings on February 26th and March 20th. In addition, two community meetings were held to provide opportunities for public comment. Council provided preliminary policy direction on March 20th. Based on this preliminary direction, it is projected that the revisions to the capital plan will contribute \$1.8 million to closing the General Fund gap.
- Rental rates and In-Lieu Fees/Inter-Fund Transfers. This report covered Points 2 and 4 in the 6-Point Plan. Recommended changes to rental rates and in-lieu fees/inter-fund transfer schedules and formulas were presented to City Council on March 25th. Community meetings on these budget strategies will be conducted on April 28th and April 30th, in conjunction with the recommended reductions to services and levels of service. Council approved a motion to adopt the City Manager's recommendations included in the report. Based on this preliminary policy guidance, it is projected that the revisions to rental rates and in-lieu fees/inter-fund transfer schedules will contribute \$445,000-\$535,000 to closing the General Fund gap.

In addition, Point 3 in the 6-Point Plan addressed job vacancies and recruitment. Other cities and counties in the Bay area implemented hiring freezes. Rather than implement an across-the-board job freeze, staff is reviewing each job vacancy as it occurs. In some cases, recruitments are suspended or not started to fill vacancies. Department directors are given the option of filling vacancies with temporary employees so that current levels of service can be met. For other vacancies, recruitments were continued or started to fill the positions permanently. As of April 18th, about 100 regular and part-

time positions are vacant. Some of these vacancies will be able to absorb employees whose positions are being eliminated by the recommended reductions.

Finally, Point 5 in the 6-Point Plan addressed tax and fee increases. This budget strategy will be addressed in a separate report and distributed to the City Council on April 25, 2003 for consideration at its regular meeting on May 6, 2003.

IV. Criteria for Evaluating Recommended Reductions to Services and Levels of Service

The City Manager asked each department director to prepare proposed reduction packages for the programs managed by their departments. Four separate reduction packages were prepared for each department: a 10 percent reduction and three separate 5 percent reductions. This allowed the City Manager to review a broad range of potential reductions to services and levels of service. Department directors were asked to identify changes that their proposed reductions would make to program outcome measures, and work hours, costs, and products associated with specific activities.

In reviewing these proposed reductions, the City Manager developed criteria or more correctly a "set of principles". It is an extremely difficult task to reduce the size of local government for an organization that spends \$90 million annually in providing a complex array of services and programs to more than 130,000 customers. It makes it even more difficult knowing that service reductions often translate into eliminating positions and possible employee layoffs. This task required a more comprehensive set of principles rather than a simple set of criteria.

Three components made up the set of principles: Grounding Beliefs, Guiding City Policies, and Key Questions that Shape Service Delivery. This set of principles was presented and discussed at the April 1st City Council meeting. A copy of the report to Council describing these components in more detail is attached to this report. (Attachment A)

V. Preferences Regarding Service Reductions

It could be helpful in providing policy direction to consider our customers' preferences regarding reductions to City services and service levels. Individual residents, business representatives, and community group members are encouraged to provide their specific comments, ideas, and opinions on the budget at both City Council meetings and community meetings on the budget.

In addition, recent surveys of City residents provide data and information on preferences for the entire community. The City contracted with The Gelfond Group to conduct a survey of Sunnyvale residents to determine their preferences regarding potential reductions to City services. Gelfond conducted this telephone survey during

early April. About 370 residents completed the 50-question survey. Residents were randomly selected to participate in the survey. The sample size allows for survey results to be statistically significant. Questions were grouped into three categories: preferences regarding service reductions, tax or fee increases vs. service reductions, and demographics. A copy of the survey is included with this report as Attachment B.

Results and key findings from the survey may be helpful as the Council considers the recommended reductions to services and levels of service. These will be distributed to Council prior to its May 2nd meeting.

Previous resident satisfaction surveys have included questions that provide additional insight into residents' preferences regarding service reductions. The last three annual surveys included a question that asked residents whether they would prefer to see taxes increase or service cut if there was insufficient revenue to support current levels of service. Overall, residents prefer to increase taxes rather than reduce services, by a slim majority.

Question: "All local governments are receiving less state and federal funding these days. To make up for the shortage of funds, what action should the City take?"

	June 2000 Survey	December 2001 Survey	June 2002 Survey
Increase local taxes	58%	51%	53%
Keep taxes at current levels, but reduce the level of service provided	42%	49%	47%

Past surveys also asked residents to rank the importance of selected City services that are provided. Four services received an importance rating of 90% or higher in the two most recent surveys: fire protection, police protection, response time to medical emergencies, and quality of drinking water. Four service areas received importance ratings of 30-40% in both surveys: Baylands Park, information and coordination about Sunnyvale's child care facilities, and the appearance and hours of operation at the Library. Attachment C lists the importance ratings from the December 2001 and June 2002 surveys for 34 services provided to external customers.

Staff have met with the Board of Directors for the Sunnyvale Chamber of Commerce on several occasions to review the City's overall financial situation and to discuss the six budget strategies that are being used to address the budget crisis. In addition, staff plans to provide a business briefing to chamber officers and members prior to the Council's May 2nd meeting to review the recommended service reductions contained in this report, and to discuss ideas, suggestions, and comments.

RECOMMENDED SERVICE AND LEVELS OF SERVICE REDUCTION

I. Overview of Recommended Reductions to Services and Levels of Service

It was a deliberate decision to list reductions to services, levels of service, and staffing as the last point in the 6-Point Plan. We had hoped to take a significant chunk out of the estimated \$11-\$17 million gap before we turned our attention to service and levels of service reductions. It's never easy to recommend reducing services or positions. It's even harder given our experience of proven performance, the level of confidence our residents and businesses have in City government, and the degree of pride City employees have in their organization. Our resident satisfaction surveys prove again and again that the City delivers high quality public services. Ninety three percent of residents rated the overall quality of City services either "very good" or "good" in the June 2002 resident satisfaction survey. In the same survey, only 9% of residents indicated that they had little confidence that the City was wisely spending their tax dollars. In the most recent employee satisfaction survey, 90% of City employees indicated that they were proud to work for Sunnyvale, demonstrating their pride in their work.

Yet, the 6-Point Plan envisioned that we would need to recommend service and position reductions. The size of the gap in the General Fund, and the fact that the gap represents a structural rather than one-time shortfall between revenues and expenses, requires that we reduce and reshape the workforce. We must reexamine the current mix of services that the City provides, and reset levels of services so that the City can deliver a sustainable set of services and programs with realistic staffing levels for the foreseeable future. At the same time, it's critical to restate-- service and staffing reductions need to be implemented in a manner that minimizes the negative affects on our employees, and our residents and businesses. The remaining workforce will need to be well paid, equipped, trained, and supported. We need to insure that our future workforce is as skilled and committed as in the past in order to deliver a reduced set of services at levels that are financially possible. If not, it will be difficult, if not impossible, to deliver services at levels that are acceptable to our residents, businesses, and visitors.

The City Manager's recommended reductions to services and levels of service total \$8.4 million annually. These reductions can be implemented in a phased, measured basis during the next three fiscal years. Two key resources created by the City's planning and financial management systems--time and dollars--permit the City to take this phased approach. This will allow some of the required work hour and position cuts to be accomplished through existing and future vacancies. We cannot completely eliminate the need for employee layoffs; we can reduce the degree to which layoffs will be required.

The recommended reductions to services and levels of service will affect 10 of 11 City departments. The Employment Development Department is funded primarily through state and federal grants. The department provides employment-related services to the

City to offset General Fund services that it receives from the City. As previously reported, an equal, across-the-board percentage cut was not used in developing this set of recommended reductions. As a result, some programs are recommended to be reduced more than others. Attachment D contains a table that summarizes the recommended reductions to General Fund programs managed by each department.

II. Recommended Service and Levels of Service Reductions by Department

Attachment E provides detailed information on recommended reductions to services and levels of service for all General Fund programs managed by each City department. This information describes proposed changes to program outcome measures and activities that will result as the recommended reductions are implemented. The following summarizes key reductions by department.

Community Development Department

The department manages five programs; four are included in the General Fund. Recommended reductions include:

<u>Service level changes</u>	Examples include: reduce the implementation of the Lakewood Village neighborhood preservation pilot program to 200 vs. 400 additional properties; compress neighborhood dumpster clean up days to Saturdays only; longer response times at one-stop counter and telephone requests on peak days; reduce or limited capacity for Council study issues and special research projects.
<u>Outcome measure changes</u>	4 of 29 measures reduced; 2 increased.
<u>Funding changes</u>	11.56% total; \$144,078 cut and \$399,000 in increased fee revenues.
<u>Work hour reductions</u>	2,951 hours
<u>Position reductions</u>	1.5 full time positions

Finance Department

The department manages eight programs; all are included in the General Fund. The Utility Business Management program is paid for entirely through in-lieu fees charged to the City's three utility enterprise funds. Recommended reductions include:

<u>Service level changes</u>	Examples include: reduce from seven to four the number of financial/operational audits completed; limit the capacity to complete non-routine and special research projects; update fixed assets annually rather than every accounting period (13 times/year); significantly reduce the number of purchasing cards issued to staff, increasing individual invoices and potentially increasing delays in payment to vendors;
------------------------------	--

	reduce central stores business hours by 7.5 hours per week; increase from 30 to 60 days for processing business license tax certificates.
<u>Outcome measure changes</u>	Seven of 41 measures reduced.
<u>Funding changes</u>	13.97% total; \$562,926 cut and \$127,000 in increased fee revenues.
<u>Work hour reductions</u>	9,650 hours
<u>Position reductions</u>	5.4 full time positions

Human Resources Department

The department manages five programs; only one is included in the General Fund. Reductions are also recommended for other programs managed by this department.

Recommended reductions include:

<u>Service level changes</u>	Examples include: Reduce expenses for position recruitments; limit the use of management style assessments to executive level recruitments.
<u>Outcome measure changes</u>	One measure will be eliminated.
<u>Funding changes</u>	6.34% total; \$97,682 cut.
<u>Work hour reductions</u>	No change.
<u>Position reductions</u>	No change.

Information Technology Department

The department manages two programs; neither is included in the General Fund. Recommended reductions are described later in the report as part of operational savings generated by changes to rental fund rates.

Libraries Department

The department manages four programs; three are included in the General Fund. Recommended reductions include:

<u>Service level changes</u>	Examples include: eliminate Bookmobile outreach service; drop Urban Libraries Council membership; drop staff assistance provided at the Periodicals desk and use computer software to schedule patron's use of computer work stations; reduce department expenses for travel, conferences, and meeting expenses.
<u>Outcome measure changes</u>	8 of 24 measures reduced
<u>Funding changes</u>	10.28% total; \$300,002 cut and \$323,000 in increased revenues.
<u>Work hour reductions</u>	6, 977 hours
<u>Position reductions</u>	2 full time positions and 5 part time positions

Office of the City Attorney

This office manages one program; it is included in the General Fund. Recommended reductions include:

<u>Service level changes</u>	Examples include: reductions to department expenses such as books and publications, outside legal services, training, and conferences and meetings.
<u>Performance measure changes</u>	No change.
<u>Funding changes</u>	11.8% total; \$154,569 in cuts.
<u>Work hour reductions</u>	No change.
<u>Position reductions</u>	No change.

Office of the City Manager

This office manages eight programs; seven are included in the General Fund. In addition, two projects will become operating programs in the FY 2003/2004 recommended budget. Recommended reductions include:

<u>Service level changes</u>	Limited capacity to accept new intergovernmental relations, special studies, and other special assignments; eliminate strategic and business plans, and leadership development events; reduce workplace improvement and process improvement activities, limiting opportunities for productivity enhancements; reduce organizational assessments submitted to the California Council for Excellence to every other year; drop KSUN enhancements; reduce Community Events Grants Program from \$30,000 to \$5,000 annually; reduce size of legal notices; reduce wording for municipal election candidate statements; retain only the mobile youth "fun on the run" funding in the Youth and Family Services project.
<u>Outcome measure changes</u>	8 of 51 measures will be reduced.
<u>Funding changes</u>	16.42% total; \$675,573 in cuts.
<u>Work hour reductions</u>	9,281 hours
<u>Position reductions</u>	5 full time positions and .5 part time positions

Parks and Recreation Department

The department manages seven programs; three are included in the General Fund. Reductions are also recommended for other programs managed by this department. Please refer to page 20 for a total savings for these reductions. General Fund recommended reductions include:

Service level changes

Examples include: reduce maintenance to open field areas and landscaping at Baylands Park, resulting in more weeds, more litter, and less opportunities to speak with staff; close one of three set of restrooms in Baylands Park that serve the Bay Trail; drain all ornamental water features in neighborhood parks; eliminate free materials to co-sponsored sports groups; increased litter and reduced ornamental turf cutting in neighborhood parks; increased response time for addressing customer inquiries and limited capacity to respond to study issues and non-routine research assignments.

Outcome measure changes

9 of 16 measures will be reduced.

Funding changes

14.29% total; \$1,007,521 in cuts.

Work hour reductions

12,108 hours

Position reductions

5.5 full time positions and .4 part time positions

Public Safety Department

The department manages five programs; all are included in the General Fund. The department has submitted its recommended reductions in two packages. The first package contains about \$1 million in service level reductions to three programs, and a net reduction of two positions. The second package contains about \$2.4 million in estimated savings from realignment to FY 2001/02 service levels. The impact on the public of these reductions should be minimal since they are designed to maintain service delivery that the public received last fiscal year and are receiving currently.

Recommended reductions include:

Service level changes

Examples include: reduce firearms training and maintenance to meet minimum requirements; reduce personnel assigned to vice and narcotics investigations by 25%; possible reduction in internal affairs staffing, if grant funds expire; reduce 33% the number of inspections of permitted hazardous materials facilities; increase from three to five days for issuing hazardous material permits; increase from one to 1.5 the number of hazardous substance releases to the environment per 100 permitted facilities; use about \$356,000 from the EMS set-aside to fund three positions dedicated to EMS services; reorganize the department's command structure, eliminating one level of command and establishing four major bureaus in the department.

Outcome measure changes

3 of 46 measures will be reduced; service level

	reductions may result in lower performance in the future for additional measures.
<u>Funding changes</u>	6.95% total; \$954,585 in cuts and \$2,466,376 in estimated savings from realignment to FY2001/2002 service levels.
<u>Work hour reductions</u>	3,800 hours from service level reduction and 45,314 hours from budget to actual realignment.
<u>Position reductions</u>	2 positions reduced for service level reduction and 19 full time positions and 4.5 part time positions reduced through budget to actual realignment.

Public Works Department

The department manages 11 programs; five programs are included in the General Fund. Reductions are also recommended for other programs managed by this department. Please refer to page 20 for a total savings for these reductions.

General Fund recommended reductions include:

<u>Service level changes</u>	Examples include: less traffic calming studies, reduce staff participation in intergovernmental advisory meetings, drop "skin coat" application for pavement maintenance, cut street sweeping from two weeks to four weeks, eliminate annual flower planting in street medians and along roadways, extend tree pruning cycles from 4.5 to 5.5 years, and eliminate the use of outside inspector reviews of completed capital projects. In addition, the cost of sidewalk/curb and gutter repairs would be shared 50/50 with property owners, new fees would be charged for development review projects and the placement of non-emergency temporary traffic controls.
<u>Outcome/Performance measure changes</u>	5 of 32 outcome measures are reduced.
<u>Funding changes</u>	10.41% total; \$794,535 in cuts and \$448,212 in increased revenues.
<u>Work hour reductions</u>	17,419 hours
<u>Position reductions</u>	6 full time positions and .5 part time positions

III. Other Options for Addressing the General Fund Funding Gap

Staff's examination of these six budget strategies generated several other options for reducing expenses. They include potential cost reductions resulting from changes to rental rates charged to General Fund programs, recommended changes to budget "set-asides", and General Fund subsidies provided to Dependent Funds.

A. Operating Cost Reductions Generated by Rental Rate Changes

The City Council discussed the report on recommended changes to rental rates and in-lieu fees/inter-fund charges at its regular meeting on March 25th. As you recall, rental rates can be considered as overhead charges to allocate the costs of support services to operating departments. Rental rates include two key components: equipment costs (both acquisition and replacement) and operating maintenance costs. City staff identified potential operating cost savings in vehicle and equipment replacement, City office space and furniture, communications and information technology equipment replacement, workers' compensation, and employee benefits. Rental rates are established for four General Services Fund programs. These programs are managed by Public Works, Parks and Recreation, and Information Technology departments. Recommended cost savings and levels of service reductions for these programs are described below.

Public Works Department

The department manages Program 763 Provision of Vehicles and Motorized Equipment. Through this program, staff acquires, maintains, replaces, and disposes of the City's vehicle and equipment fleet, which includes all rolling stock such as police cars, light and heavy-duty trucks, backhoes, and other specialized equipment.

<u>Service level changes</u>	15% reduction to size of vehicle and equipment fleet; reductions to take home cars as recommended by affected departments.
<u>Outcome measure changes</u>	No changes to outcome measures
<u>Funding changes</u>	\$400,000-\$500,000 annually
<u>Work hour reductions</u>	3,857 hours
<u>Position reductions</u>	2 full time positions

Parks and Recreation Department

The department manages Program 769 Facilities Management. Through this program, staff maintains 91 buildings within the City, and purchases, repairs, and maintains a wide range of equipment and furniture within these buildings.

<u>Service level changes</u>	Reduce janitorial services by 40%; increase response times for information requests and reporting; reduce completion of non-essential work orders submitted by City staff; eliminate proactive preventative maintenance.
<u>Outcome measure changes</u>	6 of 8 measures will be reduced.
<u>Funding changes</u>	\$410,900 annually
<u>Work hour reductions</u>	5,400 hours
<u>Position reductions.</u>	3 full time positions

Information Technology Department

The department manages two programs: Program 760 Communication Systems and Office Equipment Support and Program 766 Information Processing. Through this program, staff maintains the central computers, desktop computers and networks, and other information technology systems and networks. Staff also develops hardware and software application specifications, manages hardware and software maintenance contracts, and provides copies and mail room services.

Service level changes

Delete three centralized print and copy center activities, increasing turnaround time from 10-20 working days; increase from 1-3 working days response to cable TV subscriber complaints; increase response times for telephone relocation requests; increase response times to computing hardware and software requests; shift IT training to outside vendor; increase response time to help desk complaints from one to 10 working days.

Performance measure changes

15 measures will be reduced; 7 measures will be eliminated.

Funding changes

9.61% or \$566,087 from two programs.

Work hour reductions

8,644 hours

Position reductions

4 full time positions

The recommended reduction to operating expenses to these four program totals \$1,426,987 annually for the next 20 years.

B. Operating Cost Reductions Generated by Additive Rate Changes

Additive rate schedules are updated annually to allocate personnel costs such as holiday and vacation leave, and other types of employee benefits, to all programs. Additive rate costs are charged to departments based on their number of full and part-time employees. Staff in the Human Resources Department examined the four programs that make up the additive rates to identify any potential cost savings. Recommended reductions were identified in two programs: Program 784 Insurances, Retirement, and Incentives, and Program 785 Workers' Compensation. Through these programs, staff manages the benefit programs provided to City employees and oversees the City's employee safety and workers' compensation and occupational health efforts.

Human Resources Department

Service level changes

Eliminate ECO passes and employee suggestion awards programs; drop ergonomic evaluations conducted by outside contractors; use outside vendors for employee training efforts.

<u>Performance measure changes</u>	Eliminate one measure.
<u>Funding changes</u>	1.57% or \$278,193 from two programs.
<u>Work hour reductions</u>	925 hours
<u>Position reductions</u>	.5 full time positions

C. Operating Cost Reductions Proposed for Community Recreation Fund

Three programs are included in the Community Recreation Fund: Leisure Services, Leisure Services for Dependent Populations, and Leisure Services for Non-Dependent Populations. The Parks and Recreation Department manages all three programs. Staff identified opportunities to reduce operating expenses in all three programs. If enacted, this would help to mitigate the required increase in General Fund subsidy to this fund, as described earlier in this report. The following are the recommended reductions for all three programs:

<u>Service level changes</u>	Close the Creative Arts Center Gallery; reduce therapeutic direct programming based on low attendance and low City resident participation; reduce youth programming activities, such as eliminating future use of Peterson Middle school swimming pool, cut by 50% the Sunnyvale Youth Basketball League, eliminate programming provided for elementary school aged children on teacher training days, eliminate recreational day camps; reduce the use of the recreation web site to market classes, activities, and events; eliminate summer picnic ambassadors activity;
<u>Performance measure changes</u>	4 measures will be reduced.
<u>Net funding changes</u>	14.03% of General Fund subsidy, or \$332,923.
<u>Work hour reductions</u>	5,384 hours
<u>Position reductions</u>	1 full time position and 4 part time positions

D. Recommended Reduction to Budgeted "Set-Asides" Funding

Two expense categories are included in the expenditures section of the long-term financial plan as "set asides" for particular purposes. They are fiscal uncertainties and public facilities space issues. Fiscal uncertainties represents the ongoing latitude that is available to increase service levels, add new programs, or address unexpected fiscal pressures. Public facilities space issues represents an amount set aside annually in the financial plan to begin to address the City's substantial, long-term office space needs. These set asides differ from reserves in that reserves are one-time whereas the set asides are available each year.

We are recommending using some of the funding included in these two set asides to address the budget crisis. The fiscal uncertainties set aside for FY 2003/2004 contains \$929,322; this set aside growth by the rate of inflation throughout the plan. The public

facilities space issues set aside contains \$1,154,073 for FY 2003/2004, and decreases throughout the financial plan to \$743,145 in FY 2021/2022. We are recommending that \$500,000 in fiscal uncertainties and \$750,000 in public facilities space issues be used in addressing this budget crisis.

E. Operating Cost Reductions Proposed for the Utility Enterprises Fund

Three programs are included in the Utility Enterprises Fund: Water Supply and Distribution, Solid Waste Management and Wastewater Management. The Public Works Department manages all three programs. Staff identified opportunities to reduce operating expenses and service levels in two programs. The reductions are incorporated into the proposed rate structures for water, sewer, and solid waste collection and disposal services. They would not directly affect the General Fund; however, some position reductions could be used for positions eliminated in General Fund programs. The following are the recommended reductions for this fund:

Service level changes

Examples include: reduce some efforts to promote water conservation; drop some infrastructure planning activities; reduce response times in dealing with vendor complaints; no longer provide service to repair, replace, or install clean-outs or private sewer laterals; reduce preventative maintenance and environmental outreach efforts.

Outcome measure changes

3 of 15 measures will be reduced.

Funding changes

1.8% total; \$885,107 in cuts and \$67,500 in new revenues.

Work hour reductions

12,736 hours

Position reductions

8 full time positions

IV. Summary of Budget Strategy Recommendations

As described earlier in the report, the City Council has provided preliminary policy direction on next year's capital projects plan, rental rates, and in-lieu fees/inter-fund transfers. Potential budget savings and/or revenue enhancements that could result from the recommended reductions to services and levels of service have been described in this report. Additional opportunities to reduce costs have also been identified and described. The following tabulates the potential budget savings that have been recommended to date. It should be noted that additional revenues from new or enhanced revenue sources are described in a separate report to Council, and are not included in this tabulation.

City Manager's Recommended Reductions

- Capital Projects Plan \$1,800,000
- Rental Rates/In Lieu Fees (equipment) \$500,000

- Department Reductions

	Reduced Expenses	New Revenues	%
Community Development	\$ 144,078	\$ 399,000	11.56
Finance	562,926	127,000	13.97
Human Resources	97,682	0	6.34
Library	300,002	323,000	10.28
Office of the City Attorney	154,569	0	11.8
Office of the City Manager	675,573	0	16.42
Parks and Recreation	1,007,521	0	14.29
Public Safety	3,420,961	0	6.95
Public Works	794,535	448,212	10.41
Total	\$ 7,157,847	\$ 1,297,212	\$ 8,455,059

- Rental Rates (operating expenses)

Public Works	\$450,000	20.24%
Parks and Recreation	\$410,900	11.57%
Information Technology	\$566,087	9.61%
Total		\$1,426,987

- Set Asides

Fiscal uncertainties	\$500,000
Office space	\$750,000
Total	\$1,250,000

- New Taxes/Revenues (To be presented in separate report)

Grand Total \$13,432,046

V. Proposed Implementation Schedule

The 6-Point Plan called for the projected \$11-\$17 million gap in the General Fund to be reduced by \$4.5 million in FY 2003/2004, another \$4.5 million in FY 2004/2005, and the

final \$2 million eliminated in FY 2005/2006. Staff believes that the initial \$4.5 million target can be met or exceeded for next fiscal year. A detailed implementation schedule for FY 2003/2004 will be provided after Council provides final policy direction on the six budget strategies and other recommended approaches for resolving this budget crisis.

INFORMATION AND PUBLIC PARTICIPATION

I. May 2, 2003 Special City Council Meeting

The City Council has the overall, primary role in determining the services that the City provides, and in setting levels of service. Council completes this role as it takes two actions:

- setting service levels for the 39 programs included in the General Fund, and 14 programs in the special funds that make up the City's budget;
- setting funding levels for these services when it approves the annual budget.

City staff's role is to provide data and information, and to provide recommendations, to support the Council in determining policy. Through this report, the City Manager is providing his recommendations regarding service reductions for programs managed by each department. The report also provides data and information regarding residents' preference regarding service reductions and tax/fee increases, along with other information about current services and programs.

Council will have the first of several opportunities at the May 2, 2003 special meeting to provide preliminary guidance on the reduction of services and the levels of services that will be included in the FY 2003/2004 annual budget. It is recommended that the following approach be used to present the service reductions:

- City Manager provides overview of recommended service and levels of service;
- Department Director presents recommended reduction for his or her department;
- Council members ask questions and/or provide comments following each presentation;
- Following all department presentations, public testimony is taken;
- Council provides preliminary policy direction.

The Council can also provide policy direction on service reductions at the May 20, 2003 workshop on the proposed FY 2003/2004 budget and at the June 3, 2003 public hearing on the proposed budget. Final policy direction will be provided when the Council adopts next fiscal year's budget; this action is scheduled for Council's regular meeting on June 17, 2003.

II. Community Budget Meetings

It's important that the public is kept informed and provided opportunities to participate as the City addresses this budget crisis. As you know, a special link on the City's web page has been established to provide the public with easy access to written reports, such as this one, that address the budget crisis. In addition, a series of community meetings have been held so that Council can gather public input into the various budget strategies and courses of action that are being recommended to solve the gap between revenues and expenses in the General Fund. Two community meetings have been scheduled for the public to comment on the recommended reductions to services and levels of service. They are:

- April 28, 2003, 10:00 am, at the Sunnyvale Community Center, Neighborhood Room
- April 30, 2003, 7:00 pm, at the Cherry Chase Elementary School, Multipurpose Room.

In addition, the public will be able to provide comments, ideas, and suggestions regarding the recommended service reductions at the May 2nd special meeting, and on the overall proposed budget for next fiscal year during public hearings at the June 3rd and June 17th regular meetings.

RECOMMENDATION

Three alternatives are available. They are:

1. Adopt the recommended reductions to services and service levels as described in this report. The City Manager will incorporate this preliminary policy direction into the recommended budget for FY 2003/2004 and 2004/2005, the 10-Year Resource Allocation Plan, and the long-term financial plan. Council will provide final policy direction on the annual budget, resource allocation plan, and long-term financial plan when it approves the budget by June 30, 2003.
2. Revise the recommended reductions as required, and provide preliminary policy direction regarding reductions to City services and levels of services. The City Manager will provide a recommended budget for FY 2003/2004 and 2004/2005, the 10-Year Resource Allocation Plan, and the long-term financial plan. Council will provide final policy direction on the annual budget, resource allocation plan, and long-term financial plan when it approves the budget by June 30, 2003.
3. Take no action at this time.

It is recommended that the City Council approve alternative 1.

ATTACHMENTS

Attachment A: Proposed Criteria for Evaluating Recommended Reductions to Services and Levels of Service

- Attachment B: City Residents Survey Regarding Reductions to Services and Levels of Service
- Attachment C: Resident Satisfaction Survey Results (Importance Ratings)
- Attachment D: Recommended Reductions to General Fund Programs by Department
- Attachment E: Detailed Information on Recommended Reductions to General Fund Programs by Department

[Previous Council Item](#)
[List of Council Meetings](#)

[Next Council Item](#)
[List of Reports to Council](#)

[Corresponding Agenda](#)
[Sunnyvale Home Page](#)

April 1, 2003

SUBJECT: Proposed Criteria for Evaluating Recommended Reductions to City Services and Levels of Service

REPORT IN BRIEF

This report describes proposed criteria that the City Council could use in considering recommended reductions to City services and levels of service. I am using this "set of principles" in preparing my recommended reductions to services and levels of service. This report will be distributed to the City Council on April 18, and considered by Council May 2, 2003. The recommended reduction to services and levels of service is being made to respond to the City's financial and budget crisis.

BACKGROUND

I presented a 6-Point Plan of Action in response to the City's fiscal and budget crisis to the City Council at the annual future fiscal issues workshop on January 28, 2003. The report described the nature and scope of the financial problems that the City is facing, outlined six budget strategies to address these problems, and presented an approach for providing public input and a time frame for implementation.

The \$11 million gap in the General Fund represents a structural imbalance between expenses and revenues. To address this imbalance, the 6-Point Action Plan called for the reduction in the size of city government in Sunnyvale, and the reshaping of City staff to a level that is sustainable for the foreseeable future. Point 6 is a budget strategy entitled "Reductions to Services, Levels of Service, and Staffing". This budget strategy calls for a fundamental re-examination and reduction of the services provided by the City, a fundamental re-setting of levels of service for the remaining City services, and a phased reduction of the size of the City's workforce in order to establish realistic staffing levels. Sunnyvale's planning and financial systems have created both sufficient cash reserves and time so that this fundamental reduction of services and staff can be phased during a three-year period.

EXISTING POLICY

The Fiscal Management Sub-Element to the City General Plan contains several goals, policies, and action statements that address the City's annual budget and resource allocation plan. These can provide guidance for the City Council when it considers recommended reductions to services and levels of service.

Goal 7.1B. Financial Practices: Maintain sound financial practices, which meet all applicable standards and direct the City's financial resources toward meeting the City's long-term goals.

Policy 7.1B.1 Resource Allocation: Allocate resources in direct relation to general plan goals.

Action Statement 7.1B.1c When considering new or expanded services, implement those necessary to support the goals, policies, and action statements of various General Plan elements and sub-elements.

Action Statement 7.1B.1d Involve citizens in the budget process to the extent feasible.

Policy 7.1B.5 Performance Budget System: Maintain and refine the Performance Budget System to assure its use for multi-year planning, full cost accounting and budget monitoring.

Action Statement 7.1B.5d assure that all costs attributable to a budgeted program are fully costed

and reflected in program budgets.

Action Statement 7.1B.5e Control the growth of City expenditures consistent with meeting public service needs and the requirements of Articles XIII A and B of the California Constitution which limit the growth of revenues and expenditures in accord with prevailing economic conditions.

DISCUSSION

I am providing this report in response to the City Council's request for a set of criteria that I am using in developing my recommendation regarding reductions to services and levels of service. As you will see, this report describes a set of principles that I kept in mind as I reviewed and considered the reduction packages presented for each department. The process of reducing the size of local government for an organization that spends \$90+ million annually to serve more than 130,000 customers with a complex array of public programs requires more than a simple set of criteria. I hope what I am outlining for you illustrates how the difficult task of recommending reductions to services and levels of service was completed.

Three components made up this set of principles.

- Grounding Beliefs. This represents my grounding beliefs regarding what makes local government efficient and effective. These include: municipal compliance with legal mandates, essential services, internal service systems, and expansion beyond essential services.
- Guiding City Policies. Several documents provide key policy direction regarding City services and levels of service. These include: the General Plan, the annual budget, 10-Year Resource Allocation Plan, and long-term financial plan, and the Quality of Life indices.
- Key Questions that Shape Service Delivery. These questions help establish the types and service levels for the public programming that the City provides.

The balance of this report describes these three components in more detail.

GROUNDING BELIEFS

Municipal Compliance with Legal Mandates. Examples of these requirements include federal and state mandates and charter requirements. These include compliance with codes established by federal agencies such as the U.S. Environmental Protection Agency, state agencies such as the California Department of Transportation, the California Department of Justice, and the payment of municipal debt service.

Essential Services. The next stage of service considerations includes an assumption that we will create a balanced municipal system that can support essential services such as primary law enforcement and patrol, standard fire suppression, BLS (basic life support) emergency medical services, the provision of potable water, the collection and treatment of wastewater, and the removal of solid waste. Other life safety activities are included in this stage of service provision.

Internal Service Systems. For these essential services to be successfully provided, a primary level of internal service systems should be in place to support the essential services. These include accounting, payroll, procurement, personnel administration, training, risk management, communications, legal, and general administration.

Expansion Beyond Essential Services. From this core, I expanded outward to add levels of service in the essential services and at the same time, added quality of life elements that complement and supplement the essential services. These include such increments of services as criminal and arson investigation, traffic engineering, the provision of parks, library, and long range physical planning. Additional increments of service are added to enhance the quality of life and promote a secure and stable tax base.

GUIDING CITY POLICIES

I then directed my attention to several other sources of policy priority: the general plan, the existing outcome budget, and the quality of life indices. Each of these documents provides guidance on policies and priorities established by the City Council for the community.

KEY QUESTIONS THAT SHAPE SERVICE DELIVERY

I then asked a series of questions to develop further information on preferred levels of service to justify service level reductions. These questions are grouped as follows:

Public Safety

Are adequate provisions made to undertake neighborhood protection?
Are traffic and special operations incorporated into law enforcement programs?
Are fires prevented through code enforcement and education?
Are emergency communication systems functioning at levels that provide timely response of police, fire, and EMS services?
Are programs and procedures in place to respond to civil emergencies and natural disasters?
Are adequate transportation operations and maintenance in place?
Are codes enforced on property to ensure public safety and the preservation of neighborhoods?
Are the most serious physical obstacles removed that inhibit pedestrians, cyclists, and motorists?
Is essential infrastructure maintained?

Community Development

Is basic support provided to ensure property owners' rights and community standards are met?
Is land use and community planning in place to support orderly growth and development?
Are medians and roadsides maintained to avoid potential liabilities and enhance aesthetics?
Are neighborhood parks and open space maintained at an adequate level?
Are Public Works Support and Engineering services available to maintain streets and infrastructure?

Environmental Management

Are adequate systems in effect to protect and preserve air and water quality?
Are storm water systems in place to protect property and the environment?
Are refuse collection and disposal systems maintained to protect public health and safety?

Cultural Services

Are core library services of reference, collection management and preservation, and circulation provided to meet the needs of the community?
Are leisure services for dependent populations in place?
Are leisure service facilities provided and maintained to support cultural and recreational needs?

Are heritage programs and projects in support of community participation and education?

General Services

Are communications and office support systems adequate to support essential services?
Are vehicles and motorized equipment adequate and properly maintained to support essential services?
Are information and data systems adequate to support essential services?
Are facilities adequate to support essential services? Are they properly maintained?
Are appropriate risk and insurance management systems installed to prevent catastrophic loss?

Planning and Management

Are financial management, analysis, accounting, and financial reporting sufficient to support

essential services and maintain acceptable standards of accountability?

Are continuous improvement and organizational effectiveness mechanisms in place to promote productivity and efficiency?

Are official records and election systems provided?

Are communication systems established to communicate with the public and with internal staff?

Are executive management oversight systems in place?

Is adequate legal support provided to interpret the laws and provide support for essential services?

Are treasury and cash management systems sufficient to insure accountability and an appropriate return on investment?

Are personnel management, training, and human service systems supporting essential services systems?

Are we prepared to continue to focus on recruiting and retaining the best employees?

Are budget management systems available to support our resource allocation and outcome management planning?

Are procurement programs available to assure economical acquisition of goods and services?

Socio-Economic

Are adequate support systems available to foster and promote quality childcare services?

Are neighborhood and community services promoting community engagement with the city government?

Are programs and practices supporting economic prosperity in the City?

Is health and social services funding adequate to leverage other funding sources in the community?

When evaluating nearly \$90 million dollars of services and nearly 80 outcome-based programs, many other criteria or standards could be developed to determine which level of services should be recommended for retention or elimination. This set of benchmarks was selected to help establish a baseline of services against which reductions could be judged. As stated earlier, I will be discussing the recommended reductions to services and levels of service to Council on May 2, 2003. The City Council indicated its interest in reviewing the criteria that I will be using in developing this recommendation. (See attached report from Council Members Walker and Fowler.) It is anticipated that the City Council could use these criteria, or a different set of criteria, in providing preliminary policy direction on the recommended reductions to services and levels of service on May 2nd.

FISCAL IMPACT

This report addresses the criteria that I am using in preparing recommended reductions to services and levels of service. As such, there is no direct fiscal impact of establishing a list of criteria. Of course, there will be a significant fiscal impact when Council takes final action on the recommendation to reduce services and levels of service.

PUBLIC CONTACT

Public contact was made through posting of the Council agenda on the City's official notice bulletin board, posting of the agenda and report on the City's web page, publication of the Council agenda in the *San Jose Mercury News*, and the availability of the report in the Library and the City Clerk's Office.

ALTERNATIVES

Three alternatives are available. They are:

1. Adopt the criteria or set of principles that I am using in making recommended reductions to City services and levels of services, and use the criteria in reviewing the recommendation and in providing preliminary policy direction at the City Council meeting on May 2, 2003. Council will provide final policy direction on the FY 2003/2004 Annual Budget and 10-Year Resource Allocation Plan when it approves the budget by June 30, 2003.
2. Establish new criteria for considering my recommended reductions to City services and levels

of service, and use the criteria in reviewing the recommendation and in providing preliminary policy direction at the City Council meeting on May 2, 2003. Council will provide final policy direction on the FY 2003/2004 budget and resource allocation plan when it approves the budget by June 30, 2003.

3. Take no action at this time.

RECOMMENDATION

I am recommending that Council adopt the first alternative.

Prepared by:
Robert S. LaSala,
City Manager

ATTACHMENTS

- A. Report from Council Members Jack Walker and Fred Fowler titled "Proposed Procedure for Council Policy Review of Proposed Capital Project Plan Cuts and Proposed Service Level Cuts"

Return to RTC# [03-140](#)

[Previous Council Item](#)

List of [Council Meetings](#)

[Next Council Item](#)

List of [Reports to Council](#)

[Corresponding Agenda](#)

Sunnyvale [Home Page](#)

Attachment A
April 1, 2003

**Proposed Procedure for
Council Policy review of
Proposed Capital Project plan cuts
And proposed Service Level Cuts.**

Statement of Purpose: The purpose of this document is to outline a recommendation to the Sunnyvale City Council for a procedure for conducting a policy review of proposed Capital Plan and Service Level budget cuts. This recommendation is presented by Council members Walker and Fowler, who were tasked by the Council to review the issues involved and make such a recommendation.

Report in brief: It is recommended that the Council set policy for project and service level cuts by adopting specific criteria to be used to evaluate the value of projects and services to the residents of the city. These criteria should be adopted through formal actions by the Council after public hearings. Separate sets of criteria should be adopted for projects and for services, and they may be adopted at different points in time. Once those criteria have been adopted, discussion of individual projects or services can take place in the context of those criteria. The Council can make its opinions known to the City Manager through these discussions and give him guidance in formulating his budget recommendations. The normal budget adoption process can then provide an opportunity for public input and discussion of the specific projects and service levels the City Manager recommends for change.

Discussion: Both Council members Fowler and Walker felt it was important for the Council to approach potential budget cuts from a policy perspective and to avoid debating individual projects or services outside of a policy context. The Council's job is to set policy and then monitor the city's adherence to that policy. Both Walker and Fowler felt that this was the primary role and duty of the Council in this situation.

It was noted that the City Manager has enunciated a set of criteria he is using in order to evaluate projects and formulate his recommendations. Fowler and Walker noted that those criteria are actually proposed statements of policy, and that the Council has a duty to evaluate those proposals and adopt, revise, or reject them. Both Walker and Fowler noted that there are further criteria each wanted to suggest to augment the ones proposed by the City Manager. Fowler and Walker agree that the Council should conduct a public hearing as soon as possible where the Council and the public can debate these criteria. Once a final set of criteria have been adopted, the City Manager will have the policy guidance he needs to make a recommendation that would be acceptable to the Council. Also, the Council will have a way to measure the quality and suitability of the City Manager's recommendations.

Walker and Fowler noted that the criteria for capital project cuts might not necessarily be the same as those for service level cuts. For this reason, they recommend two separate public hearings and two separate debates about criteria for project cuts and criteria for service level cuts. They should be scheduled in such a way that their conclusions are available in time to help the City Manager make his recommendations.

They noted that the public debate over the criteria should take place soon so that the public has input at the beginning of the budget recommendation process. The public debate over the actual recommendations of the City Manager should happen later on, and should line up with the normal timetable for public input on budget recommendations. In this way, the Council can separate the policy setting debate from the debate over the actual project and service level cuts. The question about a particular project or service will become "how well does it fit the criteria we've established" instead of debating the particular merits or flaws a project or service may have.

Recommendation: Council members Fowler and Walker recommend that the Mayor add an action item to the next Council Meeting Agenda for the adoption of a set of criteria to use to evaluate capital projects for retention, reduction, or elimination from the city budget. Council members Walker and Fowler further recommend that an additional action item be added to a future Council Meeting Agenda for the adoption of criteria to be used to evaluate Service levels for retention or reduction. They recommend that individual project or service recommendations only be discussed after appropriate criteria have been adopted and then only in the context of those criteria. Finally, they recommend that the City Manager's budget proposals be evaluated for their adherence to the adopted criteria, and that the Council monitor those proposals for compliance with policy.

Return to RTC# 03-115

Good _____, my name is _____ and I am calling on behalf of the City of Sunnyvale.

As you may be aware, the City of Sunnyvale may be forced to cut services or reduce the quality of services it provides to residents, businesses, and visitors. These actions may be required given current economic conditions and the possible loss of money the City receives from the State of California.

As a result, the City is conducting a survey that is designed to gather input from residents regarding the potential actions the City should take in order to address this potential shortage of revenue.

Based on a possible funding shortfall, what changes do you think should be made in the following services provided by the City of Sunnyvale's Public Works Department? For each item please indicate whether you think the City should drop the service completely, reduce the level of service substantially, moderately reduce the level of service or maintain the current level of service and raise the fees for that service.

Circle one number for each statement	Drop Service Completely	Reduce Level of Service Substantially	Moderately Reduce level of Service	Maintain Current level of service and raise fees for service
Traffic signal and signs maintenance	1	2	3	4
Street light maintenance	1	2	3	4
Sidewalk maintenance	1	2	3	4
Litter and weed control	1	2	3	4
Street tree maintenance	1	2	3	4
Drinking water supply	1	2	3	4
Sanitary sewer system operations	1	2	3	4
Garbage collection and disposal	1	2	3	4
Street sweeping	1	2	3	4
Street maintenance	1	2	3	4
Flood control	1	2	3	4
Median landscape maintenance	1	2	3	4
Recycling services	1	2	3	4

What changes should be made in the following services provided by the City of Sunnyvale's Public Safety Department?

Circle one number for each statement	Drop service completely	Reduce level of service substantially	Moderately reduce level of service	Maintain current level of service and raise fees for service
Response to police service calls	1	2	3	4
Response to fire service calls	1	2	3	4
Response to emergency medical service calls	1	2	3	4
Traffic law enforcement	1	2	3	4
Crime prevention	1	2	3	4
Crime investigation	1	2	3	4
Fire prevention	1	2	3	4
Disaster preparedness	1	2	3	4

What changes should be made in the following services provided by the City of Sunnyvale's Public Library?

Circle one number for each statement	Drop Service Completely	Reduce Level of Service Substantially	Moderately Reduce level of Service	Maintain Current level of service and raise fees for service
Updating of Library collection (for example purchase of new books, videos and periodicals)	1	2	3	4
Library programs for adults (Instructional or enrichment programs)	1	2	3	4
Library programs for children	1	2	3	4

How likely would you be to check out feature movies on DVDs from the Library if there was a \$1.50 fee for a three day rental of each DVD?

- Circle
One
Number
1. Very likely
 2. Somewhat likely
 3. Not very likely

4. Not likely at all
5. Do not check out DVDs from Library

What changes should be made in the following services provided by the City of Sunnyvale's Parks and Recreation Department?

Circle one number for each statement	Drop service completely 1	Reduce level of service substantially 2	Moderately Reduce level of service 3	Maintain Current level of service and raise fees for service 4
Neighborhood park maintenance				
Sports fields and facilities maintenance	1	2	3	4
Golf course and driving range services	1	2	3	4
Tennis Center programs	1	2	3	4
Swimming pool programs	1	2	3	4
Senior Center programs	1	2	3	4
Community Center programs (for example theater and art gallery)	1	2	3	4
City-wide events (July 4 th , Hands on Arts, International Street Fair)	1	2	3	4
Youth programs	1	2	3	4
Baylands Park maintenance	1	2	3	4
Adult programs	1	2	3	4

What changes should be made in the following services provided by the City of Sunnyvale's Community Development Department?

Reduce level of	Moderately	Maintain current level of service and
-----------------	------------	---

Circle one number for each statement	Drop service completely	service substantially	reduce level of service	raise fees for service
Affordable housing program	1	2	3	4
Long range community planning	1	2	3	4
Building permits and inspection	1	2	3	4
Land use and zoning services	1	2	3	4
Economic development	1	2	3	4
Code enforcement	1	2	3	4

What changes should be made in the following services provided by the City of Sunnyvale?

Circle one number for each statement	Drop service completely	Reduce level of service substantially	Moderately reduce level of Service	Maintain current level of service and raise fees for service
Information services (for example the City web site and the quarterly and yearly reports)	1	2	3	4
Cable television services	1	2	3	4
Child care advisory services	1	2	3	4
Utility billing and collection services	1	2	3	4

Rather than reducing the level of services provided by the City, to what degree would you support raising fees, charges or local taxes in order to maintain the current level of service?

Circle
One
Number

6. I do not support any increase in fees/taxes
7. I support a minor increase in fees/taxes (less than 5%)
8. I support a moderate increase in fees/taxes (5-10 %)
9. I support a significant increase in fees/taxes (more than 10%)

DEMOGRAPHICS

How long have you lived in the City of Sunnyvale?

- | | | |
|------------|----|------------------------------------|
| Enter | 1. | Less than one year |
| One | 2. | One year but less than two years |
| | 3. | Two years but less than five years |
| Number | 4. | Five years or more |

Do you have children (under 18) in your household?

- | | | | |
|----|-----|----|----|
| 1. | Yes | 2. | No |
|----|-----|----|----|

What is your age?

- | | | |
|------------|----|--------------|
| | 1. | Under 25 |
| | 2. | 25-34 |
| Enter | 3. | 35-44 |
| One | 4. | 45-54 |
| | 5. | 55-64 |
| Number | 6. | 65 and older |

What is your gender?

- | | |
|----|--------|
| 1. | Female |
| 2. | Male |

What is the total annual income of your household?

Enter

One

Number

1. Less than \$25,000
2. \$25,000 to \$49,999
3. \$50,000 to \$99,999
4. \$100,000 to \$250,000
5. More than \$250,000

Return to RTC# 03-140

City of Sunnyvale

Resident Satisfaction Surveys

Level of importance rating for specific city services (34 in 2002):

- 1: very important
 2: somewhat important
 3: not important at all

	<u>June '02</u>	<u>Dec. '01</u>	<u>June '00</u>
• Fire protection	96%	98%	NA
	4%	2%	NA
	0%	0%	NA
• Police protection	96%	96%	NA
	4%	3%	NA
	0%	1%	NA
• Response time to medical emergencies	94%	92%	NA
	6%	7%	NA
	0%	1%	NA
• Quality of drinking water	92%	NA	NA
	8%	NA	NA
	0%	NA	NA
• Utilities (water service)	88%	90%	NA
	11%	9%	NA
	1%	1%	NA
• Emergency medical services	88%	NA	NA
	11%	NA	NA
	1%	NA	NA
• Safety of neighborhood parks	87%	82%	NA
	13%	17%	NA
	0%	1%	NA
• Reliability of traffic signals	85%	84%	NA
	1%	1%	NA
• Safe road conditions	85%	89%	NA
	14%	11%	NA
	1%	0%	NA
• Maintenance of streets, roads, sidewalks, street trees	83%	86%	90%
	17%	14%	10%
	0%	0%	0%
• Garbage collection/recycling	83%	85%	69%
	16%	14%	28%
	1%	1%	3%
• Disaster preparedness	74%	76%	73%

	25%	22%	26%
	1%	2%	1%
• Traffic law enforcement	74%	76%	NA
	24%	22%	NA
	2%	2%	NA
• Long term planning for land development and use	70%	NA	NA
	28%	NA	NA
	2%	NA	NA
• Neighborhood parks	70%	NA	NA
	28%	NA	NA
	2%	NA	NA
• Maintenance of street lights	68%	NA	NA
	30%	NA	NA
	2%	NA	NA
• Attractiveness of neighborhood Parks	65%	61%	NA
	34%	38%	NA
	1%	1%	NA
• Code enforcement	63%	64%	63%
	34%	32%	34%
	3%	4%	3%
• Building safety protection	63%	NA	NA
	33%	NA	NA
	4%	NA	NA
• Storm water protection	61%	73%	NA
	36%	25%	NA
	3%	2%	NA
• Recreational services	57%	51%	NA
	39%	45%	NA
	4%	4%	NA
• Library services	57%	61%	79%
	39%	35%	19%
	4%	4%	2%
• Availability of library materials	56%	52%	NA
	38%	42%	NA
	6%	6%	NA
• Usability of bicycle/pedestrian facilities	55%	58%	NA
	40%	38%	NA
	5%	4%	NA
• Safety of library facilities	53%	58%	NA
	41%	37%	NA
	6%	5%	NA
• Animal control	49%	49%	50%

	46%	47%	45%
	5%	4%	5%
• Helpfulness of library staff	49%	53%	NA
	44%	40%	NA
	7%	7%	NA
• Planning and zoning permits	45%	58%	NA
	48%	39%	NA
	7%	3%	NA
• Roadside and median appearance	44%	51%	NA
	53%	45%	NA
	3%	4%	NA
• Building permits	44%	51%	NA
	48%	43%	NA
	8%	6%	NA
• Baylands Park	36%	36%	NA
	51%	52%	NA
	13%	12%	NA
• Library hours of operation	34%	44%	NA
	58%	49%	NA
	8%	7%	NA
• Appearance of library	30%	42%	NA
	59%	53%	NA
	11%	5%	NA
• Information and coordination about Sunnyvale's child care facilities	30%	35%	NA
	44%	42%	NA
	26%	23%	NA
<i>(Note: only 24% of households have children)</i>			
• Usability of neighborhood parks	NA	65%	NA
	NA	33%	NA
	NA	2%	NA
• Community planning	NA	65%	NA
	NA	32%	NA
	NA	3%	NA
• Cleanliness of library	NA	53%	NA
	NA	41%	NA
	NA	6%	NA

The data is based on resident surveys conducted by The Gelfond Group, and independent market research firm. The surveys were mailed to a random sample of Sunnyvale households. Residents were able to response either by telephone, by mail, or (in June 2002) over the Internet. Survey results have a +/-4% margin of error, and a 95% confidence level.

Return to RTC# [03-140](#)

Attachment D: Recommended Reductions to Programs

1. GENERAL FUND

Department	FY 2002/2003 Current Budget	Recommended Reduction	Revenue	Percentage
Community Development Department	\$4,699,581	\$144,078	\$399,000	11.56%
Employment Development Department	\$45,900	\$0	\$0	0.00%
Finance	\$4,937,410	\$562,926	\$127,000	13.97%
Human Resources	\$1,540,713	\$97,682	\$0	6.34%
Libraries	\$6,061,055	\$300,002	\$323,000	10.28%
Office of the City Attorney	\$1,309,863	\$154,569	\$0	11.80%
Office of the City Manager	\$4,115,456	\$675,573	\$0	16.42%
Parks and Recreation	\$7,048,145	\$1,007,521	\$0	14.29%
Public Safety	\$49,195,967	\$3,420,961	\$0	6.95%
Public Works	\$11,939,261	\$794,535	\$448,212	10.41%
Total General Fund	\$90,893,351	\$7,157,847	\$1,297,212	9.30%

Community Development Department

Program #	Program Name	FY 2002/2003 Current Budget	Recommended Reduction	Revenue	Percentage
230	Housing and Human Services (GF only)	\$26,316	\$6,597		25.07%
242	Community Planning	\$759,382	\$55,420	\$75,000	17.17%
243	Development Services (GF only)	\$3,279,385	\$122,195	\$324,000	13.61%
245	Neighborhood Preservation	\$634,498	(\$52,842) *		-8.33%
	Department wide Reductions		\$12,708		
	Subtotal	\$4,699,581	\$144,078	\$399,000	11.56%

* Proposed budget increase based on redeployment of resources.

Employment Development Department

Program #	Program Name	FY 2002/2003 Current Budget	Recommended Reduction	Revenue	Percentage
555	Proven People Program	\$45,900	\$0		0.00%

Finance

Program #	Program Name	FY 2002/2003 Current Budget	Recommended Reduction	Revenue	Percentage
710	Financial Management & Analysis	\$1,228,649	\$173,416		14.11%
717	Compensation Management	\$267,995	\$32,416		12.10%
719	Accounting and Financial Reporting	\$755,235	\$67,369		8.92%
740	Procurement Management	\$1,424,712	\$177,695		12.47%
743	Budget Management	\$602,732	\$35,270		5.85%
744	Treasury/Cash Management	\$658,087	\$76,760	\$127,000	30.96%
	Subtotal	\$4,937,410	\$562,926	\$127,000	13.97%

Attachment D: Recommended Reductions to Programs

Human Resources

Program #	Program Name	FY 2002/2003 Current Budget	Recommended Reduction	Revenue	Percentage
753	Personnel Services	\$1,540,713	\$97,682		6.34%
	Subtotal	\$1,540,713	\$97,682	\$0	6.34%

Libraries

Program #	Program Name	FY 2002/2003 Current Budget	Recommended Reduction	Revenue	Percentage
636	Library Collection Management	\$3,340,955	\$64,499	\$323,000	11.60%
637	Library Programs and Services	\$1,784,475	\$222,746		12.48%
638	Library Learning Environment	\$935,625	\$12,757		1.36%
	Subtotal	\$6,061,055	\$300,002	\$323,000	10.28%

Office of the City Attorney

Program #	Program Name	FY 2002/2003 Current Budget	Recommended Reduction	Revenue	Percentage
751	Legal Services	\$1,309,863	\$154,569		11.80%
	Subtotal	\$1,309,863	\$154,569	\$0	11.80%

Office of the City Manager

Program #	Program Name	FY 2002/2003 Current Budget	Recommended Reduction	Revenue	Percentage
524	Child Care Services	\$166,040	\$0		0.00%
732	Council Policy Assistance and Support	\$588,967	\$182,362		30.96%
734	Organizational Effectiveness	\$672,272	\$191,251		28.45%
735	External Relations	\$755,347	\$80,663		10.68%
736	Official Records and Elections	\$369,272	\$31,700		8.58%
738	Executive Management	\$512,971	\$18,890		3.68%
739	City Council	\$334,846	\$0		0.00%
Project	Youth and Family Services Pilot Program	\$395,500	\$170,707		43.16%
Project	Integrated Neighborhood Services	\$320,241	\$0		0.00%
	Subtotal	\$4,115,456	\$675,573	\$0	16.42%

Parks and Recreation

Program #	Program Name	FY 2002/2003 Current Budget	Recommended Reduction	Revenue	Percentage
221	Baylands Park	\$775,665	\$196,979		25.39%
265	Neighborhood Parks and Open Space	\$5,672,223	\$760,647		13.41%
601	Park and Recreation Management	\$600,257	\$49,895		8.31%
	Subtotal	\$7,048,145	\$1,007,521	\$0	14.29%

Attachment D: Recommended Reductions to Programs

Public Safety

Program #	Program Name	FY 2002/2003 Current Budget	Recommended Reduction	Revenue	Percentage
412	Police Services	\$22,223,850	\$1,700,329		7.65%
422	Fire Services	\$16,853,265	\$716,952		4.25%
432	Public Safety Administrative and Technical Services	\$9,024,430	\$691,365		7.66%
452	Emergency Preparedness	\$384,221	\$0		0.00%
453	Animal Control	\$710,201	\$200,000		28.16%
DEPT	Department Management Restructure	\$0	\$112,315		
Subtotal		\$49,195,967	\$3,420,961	\$0	6.95%

Public Works

Program #	Program Name	FY 2002/2003 Current Budget	Recommended Reduction	Revenue	Percentage
115	Transportation Operations	\$2,363,050	\$107,489		4.55%
116	Pavement Operations	\$3,669,309	\$90,920	\$24,837	3.15%
215	Roadside and Median Right-of-Way	\$4,579,264	\$503,147	\$344,875	18.52%
302	Public Works Support Services	\$531,370	\$37,780	\$48,500	16.24%
306	Engineering Services (GF only)	\$796,268	\$55,199	\$30,000	10.70%
Subtotal		\$11,939,261	\$794,535	\$448,212	10.41%

2. RDA FUND

Program #	Program Name	FY 2002/2003 Current Budget	Recommended Reduction	Revenue	Percentage
244	Economic Prosperity (RDA)	\$735,117	\$106,400		14.47%
Total		\$735,117	\$106,400	\$0	14.47%

3. UTILITIES FUNDS

Program #	Program Name	FY 2002/2003 Current Budget	Recommended Reduction	Revenue	Percentage
312	Water Supply and Distribution	\$14,639,833	\$340,849		2.33%
322	Solid Waste	\$25,754,220	\$0		0.00%
342	Wastewater Management	\$11,081,515	\$544,258	\$67,500	5.52%
720	Utility Business Management	\$1,688,181	\$14,998		0.89%
Total		\$53,163,749	\$900,105	\$67,500	1.82%

4. YOUTH & NEIGHBORHOOD SERVICES FUND

Program #	Program Name	FY 2002/2003 Current Budget	Recommended Reduction	Revenue	Percentage
522	Columbia Neighborhood Center	\$673,582	\$13,914		2.07%
Total		\$673,582	\$13,914	\$0	2.07%

Attachment D: Recommended Reductions to Programs

5. GENERAL SERVICES FUND

Program #	Program Name	FY 2002/2003 Current Budget	Recommended Reduction	Revenue	Percentage
760	Communications System & Office Equipment Support	\$2,262,141	\$90,707		4.01%
766	Information Processing	\$3,625,907	\$475,380		13.11%
769	Facilities Management	\$3,552,782	\$410,932		11.57%
Total		\$9,440,830	\$977,019	\$0	10.35%

6. EMPLOYEE BENEFITS

Program #	Program Name	FY 2002/2003 Current Budget	Recommended Reduction	Revenue	Percentage
784	Insurance, Retirement, and Incentives	\$17,980,269	\$210,512		1.17%
785	Workers' Compensation	\$3,916,415	\$27,000		0.69%
786	Self-Funded Liability and Property Program	\$1,085,863	\$0		0.00%
Total		\$22,982,547	\$237,512	\$0	1.03%

7. COMMUNITY RECREATION FUND

Program #	Program Name	FY 2002/2003 Current Budget	Recommended Reduction	Revenue	Percentage
640, 642,644	Combined Leisure Services	\$2,373,093	\$332,923	\$0	14.03%